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ABSTRACT

The federal government's financial commitment to children and youth since the mid-1960's is examined. Data were obtained from U.S. Bureau of Census reports and from relevant government agencies. The report focuses on trends in federal expenditures for youth, public expenditures for youth in Houston and New York City, equity in the distribution of federal funds for youth, and efficiency of delivery systems. Since the mid-1960's, the share of federal spending on youth has risen while their share of the population has fallen. Funding for income, education, nutrition, health, housing, child care, employment, recreation, and justice reaches youth through direct services, services to families, and services to the larger population. An examination of ESEA-Title I, medicaid, Aid to Families with Dependent Children, food stamps, Headstart, vocational education, school lunch, and social security programs reveals inequities in services to poor children, however. Further, findings from an analysis of all public expenditures for youth in Houston and New York City indicate that the role of each level of government and the level of expenditures for youth services vary dramatically between cities, New York spending two times more per youth than Houston. Reasons for the wide variation center on lower expenditures per recipient and lower rates of participation. (KC)

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The Youth Budget: Expenditures, Equity and Efficiency

Final Policy Report

National Institute of Education
Youth Policy Studies - Youth Budget
Contract No. 400-78-0059

Submitted by

Conservation of Human Resources
Columbia University
October, 1982

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This report summarizes the findings of a study of four critical areas related to public policy towards youth in the United States. First, what has been the trend in the national commitment to youth as reflected in the federal budget for services to children and youth? Second, how well does the distribution of federal spending among the states match the variations in apparent need for services among children and youth? Third, how does the total public sector (federal, state and local) commitment to services for children and youth vary among major urban centers? Finally, to what extent are variations in total public expenditures for services to children and youth due to differences in unit costs of service rather than differences in the scope or quality of services. These questions are addressed in the four sections that follow.

TRENDS IN FEDERAL EXPENDITURES

How much does America care about its youth? The question can be answered in several ways, but a direct reply is provided by the federal budget. It reveals how much we as a nation spend on youth and the type of aid we make available to them. Yet, little systematic analysis has been done on this subject. Neither the federal budget itself nor the Special Analyses prepared by the OMB treat youth expenditures as a single category. While the Congressional Budget office has examined budgetary options in selected program areas such as welfare reform and employment that affect youth, it has not developed a comprehensive format for monitoring youth expenditures. Similarly, the Brookings Institution annual budget review series Setting National Priorities has periodically examined selected programs affecting youth, but has not sought to review comprehensively expenditures in this area.

An initial effort to estimate a federal youth budget can address three basic issues: (1) How much of the federal budget is devoted to youth and has this changed over the period 1964-80? (2) what types of services are provided to youth with federal funds and how has this changed over the period 1964-80? (3) does federal assistance reach youth directly, through their families, or through some other mechanism, and has this aspect of youth policy changed over the period 1964-80?

How Much for Youth?

Defining an expenditure for youth is a difficult and somewhat esoteric task. In fact, a technical paper including an appendix of almost 300 pages was prepared in order to specify a precise definition. But the results are simple and straightforward (see Table 1). In fiscal year 1980, the federal

TABLE 1

Expenditures for Children and Youth As A Share of Federal and Domestic Outlays

1964, 1970, 1976, and 1980

(Dollars in Thousands)

	1964	1970	1976	1980
Expenditures for children and youth	$ 4,174,792	$ 11,116,396	$ 28,621,823	$ 45,368,898
Total Federal outlays	118,583,708	196,587,786	366,439,402	568,933,423
Share for children and youth	3.5%	5.7%	7.8%	8.0%
Total domestic outlays	$ 62,139,553	$113,737,238	$271,457,385	$423,833,423
Share for children and youth	6.7%	9.8%	10.5%	10.7%

Source: Calculations based on Office of Management and Budget, "Historical Outlays by Function, 1948 to 1980."

See Appendix for details.

government estimated it spent $45.3 billion to provide cash assistance and services to persons under 18. This sum represents 8.0 percent of all federal outlays and 10.7 percent of all domestic (total less defense and foreign aid) outlays in 1980. Similar estimates for 1964, 1970 and 1976 indicate that expenditures for youth increased more rapidly than the budget as a whole; the youth share of the total budget rose from 3.5 percent in 1964 to 5.7 percent in 1970, and to 7.8 percent in 1976. The youth share of domestic outlays rose most rapidly (from 6.7 to 9.8 percent) between 1964 and 1970, and has grown at a less rapid pace since. Between 1970 and 1976, the youth share of domestic expenditures rose only from 9.8 percent to 10.5 percent, and between 1976 and 1980 increased only modestly to 10.7 percent.

Changes in the share of the domestic budget devoted to youth cannot be related to changes in their share of the nation's population. While expenditures for youth rose rapidly from 1964 to 1970, their share of the population fell slightly from 36.5 to 34.1 percent. And while the youth share of domestic outlays rose modestly during the 1970s, the share of the population under 18 fell sharply from 34.1 to just over 28.4 percent in 1979. Thus, while federal spending for youth is proportionately less than their numbers might justify, it is also true that the share of federal spending devoted to youth has risen while their share of the population has fallen.

Expenditures for What?

The $45.3 billion spent for youth in 1980 was unevenly divided among ten types of services (see Table 2). Income assistance represented over

Table 2

Distribution of Expenditures for Children and Youth by Function
1964, 1970, 1976 and 1980
(Dollars in thousands)

	1964		1970		1976		1980	
Income	$2,877,780	68.9%	$4,866,101	43.8%	12,106,837	42.3%	16,105,565	35.5%
Education	593,133	14.2	2,783,608	25.1	4,575,866	16.0	7,489,144	16.5
Nutrition	294,233	7.0	694,985	6.2	4,964,680	17.3	8,793,032	19.4
Health	217,658	5.2	1,050,611	9.5	2,582,613	9.0	3,806,439	8.4
Housing	69,281	1.7	199,131	1.8	1,033,342	3.6	2,420,204	5.3%
Child Care	64,093	1.6	297,487	2.7	942,683	3.2	1,102,729	2.4
Employment	14,163	.3	512,462	4.6	1,198,786	4.2	2,919,774	6.4
Community Development	24,558	.6	661,904	5.9	951,227	4.2	2,354,715	5.2
Recreation	19,893	.5	37,836	.4	82,339	.3	121,001	.3
Justice	-	-	12,271	.1	184,050	.6	254,295	.6
	$4,174,792	100.0%	11,116,396	100.0%	$28,621,823	100.0%	$45,368,898	100.0%

Percentages may not total 100% due to rounding.

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$16 billion or 35.5% of all funds devoted to youth. While 18 different federal programs provide income for youth, nearly three-quarters of the funds are spent for two programs--public assistance and social security. Social security, the largest single program aiding youth, provided an estimated $7.0 billion in cash assistance to the surviving children of deceased, disabled and retired workers. Public assistance provided over $4.9 billion to aid children in poor families.

Approximately one-third of all expenditures for youth is accounted for by education (16.5%) and nutrition (19.4%) services. The nearly $8.8 billion in nutrition consists of five programs with food stamps ($4.8 billion) and school lunches ($3.3 billion) accounting for most of the funds. The $7.5 billion in education spending involves 23 different programs, but activities under the ESEA account for $3.4 billion or over 45%. Four other education programs involve spending of at least one-half billion dollars - aid to federally affected areas, occupational and vocational education, educational activities under the Human Development Services (Head Start) program, and special education for the handicapped.

About $3.8 billion or 8.4% of all spending for youth is devoted to health services. Although eleven different programs provide health services to youth, medicaid accounts for an estimated $2.5 billion or 64% of the total. Among the remaining service areas, housing, employment and community development each account for between 5.2% and 6.4% of total youth spending. Child care accounts for approximately 2.4%, and recreation and criminal justice each account for less than 1% of the total spending for youth services.

While income assistance plays a dominant role in federal spending for youth, this is far less true in 1980 than in the mid-1960's. Between

1964 and 1970, the share of total spending for youth devoted to income assistance dropped from 69 to 44 percent, by 1976 it decreased further to 42 percent, and by 1980 had fallen to only 36 percent. Between 1964 and 1970, the shift in federal spending was due to both relatively slow growth in spending for income assistance and especially rapid increases in spending for other services. Among the ten types of services to youth only income assistance grew less rapidly than all domestic outlays between 1964 and 1970. All other services to youth grew more rapidly than total domestic outlays, reflecting the "Great Society" emphasis on a variety of social service programs. Included in this expansion of service spending was the ESEA which helped raise the educational share from 14 to 25 percent; the Medicaid program which helped raise the health share from 5 to 10 percent; and the growth of youth employment programs which rose from less than 1 to nearly 5 percent of all youth spending.

Between 1970 and 1980, the shifts in the nature of spending for youth also were significant, if less dramatic. Education expenditures grew far less rapidly (169 percent) than either domestic expenditures (273 percent) or total youth expenditures (308 percent). Accordingly, the educational share of total spending for youth dropped from 25 to 17 percent. In contrast, nutrition programs, most notably food stamps, increased nearly 12-fold and in 1980 accounted for a larger share (19 percent) of the youth budget than education. All of the other services received a relatively modest share of total youth expenditures. However, it is worth noting that the housing and employment shares of the youth budget increased while the health share has steadily fallen since 1970.

How do Services Reach Youth?

Federal spending for youth needs to be considered not only in terms of amounts and functions, but also for the way in which government seeks to deliver assistance. Youths benefit from federal programs in any one of four ways. First, they may be the primary target population for services which they receive directly. School based educational services or a school lunch program are examples of direct services to youth. Second, the family may serve as the primary mechanism for delivering aid to their children. Cash assistance under the AFDC program and food stamp benefits to households with children are examples of services to youth as part of families. Third, services may be provided to a broad segment of the population with youth as one subgroup of the beneficiaries. Occupational training received by unemployed youths through programs for all unemployed persons or medical care provided by programs such as medicaid which benefit both poor children and adults are examples of services to youth as part of a larger population. Finally, a small number of programs benefitting youth do so in the form of public or quasipublic goods which simultaneously benefit both youth and the entire population. Examples of such services include research and demonstration projects in the fields of education or social services which both improve society's knowledge in these fields and provide some service to the participants.

When the youth budget is viewed in terms of the way in which services are provided, the importance of the family becomes clear. (See Table 3). In 1980 about 49% of all expenditures for youth serve their objective through the family. About one-quarter of the youth budget funds services that are provided directly to youth, while over one-fifth (21%) of the services reach youth as part of the larger population. Only about 4% of the youth budget takes the form of public goods.

While the role of the family remains significant, it has declined since the mid-1960's. From 1964 to 1970 the share of the youth budget relying on the family to deliver assistance fell from 68% to 47%. At the same time, the share of expenditures reaching youth through programs that serve a broader population rose from 6% to 21% and services provided directly to youth as a target population increased from 24% to 30%. The significant decline in the role of the family during the "Great Society" era was due to the limited growth of earlier programs such as AFDC operating largely through the family and the enactment and expansion of new programs aimed at poor people of all ages such as medicaid and community action.

Between 1970 and 1980 the pattern of delivery of youth services remained relatively stable. The share of assistance provided through families increased modestly from 47% to 53% from 1970 to 1976 but then fell again to 49% in 1980, still a sharp contrast to its more than two-thirds share in 1964. The share provided directly to youth has fallen from 30% to 26% since 1970 while the share provided to youth as part of a larger population fluctuated somewhat during the decade. The increase in assistance provided through families during the mid 1970's was due largely to the rapid increase in income maintenance and food stamp programs while the declines in other

Table 5

Distribution of Expenditures for Children and Youth by Service Delivery Type
1964, 1970, 1976 and 1980

(Dollars in Thousands)

	1964		1970		1976		1980	
irect services to children and youth	$987,394	24%	$3,364,837	30%	$7,747,052	27%	$11,567,185	26%
ervices to children and youth as part of families	2,854,483	68	5,234,759	47	15,126,926	53	22,307,253	49
ervices to children and youth as part of larger populations	247,262	6	2,319,081	21	5,356,213	18	9,699,173	21
ublic and quasi-public goods benefiting children and youth	85,653	2	197,719	2	591,632	2	1,795,287	4
otal	$4,174,792	100%	$11,116,396	100%	$28,621,823	100%	$45,368,898	100%

areas reflect slower growing outlays under education programs and the social welfare legislation first enacted during the Great Society period.

The rise and fall of different modes of delivering aid to youth is related to the changing functional distribution of the youth budget. Different functions rely primarily on different types of delivery structures. Cash is provided primarily to youth through their families, education is provided directly through schools, while medical care is provided primarily to youth in conjunction with efforts to reach broader segments of the population. Thus, of the $16.1 billion in income assistance provided to youth in 1980 fully 92% was provided through families; of the $7.5 billion in educational services 96% was provided directly to youth; and of the $3.8 billion in medical care 83% was provided as part of a larger population. Of the major functions only nutrition has been split about evenly between families (food stamps largely) and direct services through school lunches and other programs. Consequently as greater emphasis was given to services over income, the role of the family declined. To the extent that educational services were increased, the direct delivery was favored; while emphasis on health, housing, employment and other social services meant that children were served as part of larger populations.

EQUITY IN THE DISTRIBUTION OF FEDERAL FUNDS

A second aspect of youth policy relates to the question: Is federal funding for youth services distributed among states in proportion to the children who need services? To answer this question, we examined the distribution of federal spending for eight selected programs funding youth services: ESEA -Title I, Medicaid, Aid to Families with Dependent Children (AFDC), Food Stamps, Headstart, Vocational Education, School Lunch, and Social Security Survivors Benefits (OASDI). These eight programs are the largest among the 84 programs identified as funding youth services. In fiscal year 1980, each program represented at least $705 million in annual spending for youth and the combined expenditures for the eight programs accounted for almost 70 percent of the total federal children's budget (Table 4).

Moreover, these eight programs account for a significant share of federal spending in major functional areas. In 1980, funds for OASDI and AFDC represented almost 75 percent of all income maintenance expenditures for children; the School Lunch and Food Stamps programs accounted for more than 90 percent of expenditures for child nutrition; Medicaid funds for children represented nearly two-thirds of federal spending for child health services; Headstart accounted for almost 65 percent of all federal expenditures for child care and social services; and the two selected education programs represented more than one-half of federal expenditures for education services to youth.

Table 4

Role of Eight Major Programs in Federal Spending for Youth Services

Fiscal Year 1980

(dollars in thousands)

	Amount	Percent of Subtotal	Percent of Total
Income Assistance - Subtotal	16,105,565	100.0	39.7
Public Assistance - AFDC	4,933,519	30.6	12.2
Social Security Survivors Benefits - OASDI	6,968,284	43.3	17.2
Others	4,203,762	26.1	10.3
Nutrition - Subtotal	8,793,032	100.0	21.6
Food Stamps	4,755,544	54.1	11.7
School Lunch	3,290,134	37.4	8.1
Others	747,354	8.5	1.8
Education - Subtotal	7,489,144	100.0	18.4
ESEA - Title I	3,409,034	45.5	8.4
Vocational Education	754,620	10.1	1.8
Others	3,325,490	44.4	8.2
Health - Subtotal	3,806,439	100.0	9.4
Medicaid	2,471,173	64.9	6.1
Others	1,335,266	35.1	3.3
Employment	2,919,774	100.0	7.2
Children & Social Services - Subtotal	1,102,729	100.0	2.7
Headstart	705,044	63.9	1.7
Others	397,685	36.1	1.0
Judicial Services	254,295	100.0	0.6
Recreation	121,001	100.0	0.3
TOTAL	40,591,979	100.0	100.0
Eight Major Programs	27,287,352	67.2	67.2
Others	13,304,627	32.8	32.8

It is also important to note that the eight major programs represent significant portions of the dollars distributed through each major type of funding mechanism. Federal spending for youth services, like all federal spending, takes place through one of five different types of funding mechanisms:

(1) direct payment programs provide funds through federal operations;

(2) project grants award funds to project sponsors on the basis of specific project applications;

(3) fixed formula grants provide funds to eligible beneficiaries (usually states and localities) on the basis of predetermined formulas applied to fixed congressional appropriations;

(4) open-ended grants provide funds to eligible recipients on the basis of predetermined criteria but the amount received is based on the numbers eligible, not a fixed appropriation;

(5) all other forms of payment are classified as "others".

The largest share of the children's budget is distributed through direct payment programs (Table 5). This includes income support for children under insurance programs for the beneficiaries of retired, disabled or deceased workers, or other special categories of workers such as coal miners and railroad workers. Fully 42 percent of the children's budget in 1976 (the latest year for which complete data could be assembled for this report) was distributed through such direct payment programs. The second largest share of the children's budget is distributed through open formula grants. This category includes so-called "categorical" programs such as AFDC and Medicaid designed to provide a specific population with particular assistance or services. Almost one-third of the children's budget was

Table 5

Eight Major Youth Programs and Funding Mechanisms in the Federal Youth Budget

Fiscal Year 1976

(dollars in thousands)

	Amount	Percent of Subtotal	Percent of Total
Direct Payment - Subtotal	11,354,474	100.0[f]	41.8
Social Security Survivors Benefits-OASDI	6,230,158	54.9	23.0
Food Stamps	2,969,907	26.2	10.9
Others	2,154,409	18.9	7.9
Formula Distribution, Open-ended Funds	8,694,648	100.0	32.0
Public Assistance - AFDC	4,921,131	56.6	18.1
School Lunch	1,451,116	16.7	5.3
Medicaid	1,303,409	15.0	4.8
Others	1,018,992	11.7	3.8
Formula Distribution, Fixed Funds	3,389,231	100.0	12.5
ESEA - Title I	1,939,481	57.2	7.1
Vocational Education	422,629	12.5	1.6
Others	1,027,121	30.3	3.8
Project Funding	2,891,814	100.0	10.7
Headstart	415,055	14.4	1.5
Others	2,476,759	85.6	9.1
Others	796,820	100.0	2.8
TOTAL	27,126,987	100.0	100.0
Eight Major Programs	19,652,886	72.4	72.4
Others	7,474,101	27.6	27.6

distributed through this type of funding mechanism in 1976. Approximately 12 percent of the children's budget was distributed through fixed formula grant programs such as ESEA - Title I and Vocational Education in 1976. Project grants, generally used to support narrowly defined programs for a limited purpose or population group, accounted for 11 percent of the children's budget. A large number of education programs in the children's budget fall into this category, as do many child health programs. The "other" funding category represents only 3 percent of the youth budget and consists of funding which wholly supports federal agency activities such as those of the National Park Services and the Smithsonian Institution.

Among the eight major youth programs, two provide funds to children through direct payment mechanisms: OASDI and Food Stamps. The over $9.2 billion dollars distributed through these programs in 1976 accounted for approximately 81 percent of all direct payments in the youth budget. Payments to children as beneficiaries of Social Security represented nearly 55 percent of this amount, while the children's share of Food Stamps dollars accounted for another 26 percent. The three programs which provide support for children through open formula grants -- AFDC, Medicaid, and School Lunch -- represented almost 90 percent of all funds provided to children through this mechanism. Funds for the federal share of AFDC accounted for 57 percent of all open formula expenditures, while funds for Medicaid and School Lunch accounted for roughly equal shares of the remaining funds - 16.7 percent and 15.0 percent, respectively. Of the other programs, two -- Title I of ESEA and Vocational Education -- are distributed through fixed formula grant programs, while Headstart is funded through project grants. Funds for ESEA represented more than one-half -- 57 percent of federal dollars for children provided through fixed formula grant programs; the Head-

start program accounts for about 14 percent of project grant funds for youth services.

In sum, the eight major programs selected for analysis comprise a useful basis for an inquiry into equity in the distribution of federal spending for youth. These eight programs represent over two-thirds of all federal spending for youth; they comprise major shares of funding in each of the principal functional areas for which the federal government supports youth services; and they are representative of the principal funding mechanisms through which the federal government distributes its domestic dollars.

Demographics: A Basis for Defining Equity

Pending release of the detailed reports from the 1980 census, the most comprehensive demographic data source is the 1976 Survey of Income and Education. In that year, the 64,619,000 persons under 18 represented slightly less than one-third (31.5 percent) of the United States' population. Like the general population, children were not evenly divided among the fifty states. More than one-half of all children lived in ten states: California, New York, Texas, Pennsylvania, Ohio, Illinois, Michigan, Florida, New Jersey, and Massachusetts. The largest number of children, 6.2 million or almost 10 percent of the total, lived in California, followed by 5 million children in New York, and 3.9 million in Texas. In contrast, the three states with the smallest number of children were Vermont (147,000), Alaska (128,000), and Wyoming (120,000).

The distribution of children does not directly parallel the distribution of the adult population. That is, among the states the share of the population under 18 varies significantly around the national average. The state with the largest share of the population under 18 was Utah (37.6 percent) followed by Alaska (37.1 percent). The state with the smallest share of the population under 18 was Florida

(27.2 Percent) and the District of Columbia had an even lower share (27.1 percent).

From the perspective of federal programs, poor children are often of special interest. Nationally, in 1976 approximately 14.8 percent of all children lived in families whose incomes were below the poverty threshhold. But this figure varies widely among the states from under 8 percent in Alaska to almost 33 percent in Mississippi. In New York and California, the two states with the largest number of children, the share of children living in poverty is just below the national average -- 13.8 percent and 14.6 percent, respectively. In 11 states -- Mississippi, New Mexico, South Carolina, Louisiana, Georgia, Arkansas, Kentucky, Florida, Texas, Tennessee, and West Virginia -- more than 20 percent of all children live in poverty. Six of those states are located in the South.

The uneven distribution of both all children and poor children among the states provides the bases for establishing standards of equity for the distribution of federal expenditures for youth. Several criteria for assessing equity can be identified. The first two measures deal with the level of federal spending among the states:

(1) Expenditures per child indicates the extent to which program spending is distributed among the states in proportion to the youth population;

(2) Expenditures per poor child indicates the extent to which program spending is distributed among the states in proportion to the population of poor children.

A second set of criteria deals not with spending, but with the reach of federal programs in terms of the numbers of persons served:

(3) Ratio of youth beneficiaries to residents under 18 indicates the extent to which a federal program is reaching the youth population;

(4) Ratio of youth beneficiaries to poor persons under 18 indicates the extent to which a program targeted to poor children is serving that population.

A final standard deals with equity in terms of the levels of service provided to beneficiaries:

(5) Expenditures per beneficiary indicates the level of effort per person served.

These standards of equity can be applied to the eight major youth programs. Conformance with a given standard can be measured with a statistic known as coefficient of variation, computed by dividing the standard deviation by the mean. This measures the relative variation among numbers where large and small numbers have equal weight. For example, the coefficient of variation can be used to determine which program's expenditures per beneficiary, Vocational Education or Headstart, are relatively less variable and, therefore, more equitable. The coefficients of variation for the Vocational Education and Headstart programs are .492 and .379, respectively. In this comparison, Vocational Education is more variable because its standard deviation ($20) is 49 percent of its mean ($42), while the Headstart program is less variable with its standard deviation ($643) 38 percent of its average ($1,695). However, one warning is in order. Coefficients of variation do not explain why variations exist such as urban-rural economic differences, age structure of the population, labor force participation rates, race, etc. For example, a large coefficient of variation for Headstart program might simply indicate that in some states labor participation rates are low and, therefore, the need for child care is low. The coefficient of variation,

then, is a measure of dispersion relative to an average and is independent of the unit or size of measurement. Since the coefficient of variation is not an intuitively meaningful number, ranges are also given as measures of the absolute discrepancies among states.

Expenditures Per Child and Per Poor Child

The coefficients of variation presented in Table 6 show that on a per child and per poor child basis, federal funding for the eight programs under study is not distributed equitably among the states and, furthermore, that these funding disparities follow no consistent pattern for the two measures.

On a per child basis, Medicaid is the most variable (1.02) followed by Head-start (.909), AFDC (.694), and Food Stamps (.462). All of these programs, however, are designed to provide a specific population with particular assistance or services -- income, medical, nutrition, or child care services to low-income families and individuals. Expenditures per poor child, then, may be a more useful measure of equity of these programs.

Adjusting for distribution among poor children does not substantially improve the relative equity of Medicaid (.916) or AFDC (.684). Both of these programs are designed to reduce funding variations among states by including in their

Table 6

Measures of Equity in Levels of Federal Spending for Youth Among the States
1976

	Coefficient of Variation	Range		
		High	Low	Difference
Expenditures per Child				
AFDC	.694	$39.56	$2.71	$36.85
OASDI	.206	23.55	9.04	14.51
Food Stamps	.462	83.64	12.17	71.47
School Lunch	.358	41.39	10.48	30.91
ESEA - Title I	.347	67.01	13.36	53.65
Vocational Education	.341	9.58	2.11	7.47
Medicaid	1.020	169.20	1.62	167.58
Headstart	.909	49.14	2.98	46.16
Expenditures per Poor Child				
AFDC	.684	$232.43	$9.98	$222.45
OASDI	.243	172.12	50.31	121.81
Food Stamps	.418	700.14	107.42	592.72
School Lunch	.211	226.52	102.99	123.53
ESEA - Title I	.359	562.22	114.78	447.44
Vocational Education	.427	90.28	14.00	76.28
Medicaid	.916	994.07	10.07	984.00
Headstart	.569	159.41	23.49	135.92
Expenditures per Youth Beneficiary				
AFDC	.360	$169.08	$18.65	$150.43
OASDI	.106	337.53	178.78	158.75
Food Stamps	.165	474.86	216.07	258.79
School Lunch	.233	83.62	34.33	49.29
ESEA - Title I	.327	969.86	192.07	777.79
Vocational Education	.492	121.53	8.46	113.07
Medicaid	.408	425.07	6.84	418.23
Headstart	.379	4,098.00	1.074.00	3,024.00

formulas variables such as population and income. For example, Medicaid's reimbursement rates range from 50 percent to 90 percent depending on a state's per capita income. For AFDC, the federal government pays 5/6ths of the first $18 of monthly benefits plus a variable percentage above this figure. Federal allocations, however, are dependent on benefit levels established by local governments which can cause large spending discrepancies among the states. For example, expenditures per poor child vary from $10 to $994 for Medicaid and $9 to $232 for AFDC, the latter more than a 2,000 percent difference.

Review of another federal program, Food Stamps, indicates that expenditures per child and per poor child vary considerably even for a program with uniform national standards of eligibility and assistance levels. Equity improves very little -- from .462 to .418 -- when adjustment is made for distribution to poor children. Given the inequalities in AFDC, however, the inequality in Food Stamp allocation may not be so surprising since access to AFDC is one of the important mechanisms from which eligible families find out about Food Stamps.

At the other extreme, another federally administered program, OASDI, is the most equitable program on a per child basis (.206) and the second most equitable on a per poor child basis (.243). Expenditures per beneficiary (discussed more fully below), however, may be a more appropriate measure of equity than expenditures per child and per poor child, since OASDI benefits are based on past employment and earnings, and are intended to replace lost income to beneficiaries rather than provide new income to the poor.

The two educational programs studied, Vocational Education and ESEA - Title I, are both funded through formula grants and are relatively more evenly distributed on a per child basis (.341 and .347) than the other programs. However, these two programs are more inequitable on a per poor child basis (.427 and .359). This find-

ing is particularly significant for ESEA - Title I which is designed to reach educationally deprived children.

From the perspective of expenditures per child, School Lunch with a coefficient of .358 is the fourth most equitable program. This program provides low-cost lunches at full or reduced prices, or free to children in school. As with the other formula grant programs, federal allocations depend on local discretion: cash and in-kind benefits are provided on a 3-to-1 matching basis; additional assistance is provided for free or reduced price lunches and for lunches served to children from poor families. On a per poor child basis, variation decreases to .211 making School Lunch the most equitable program for poor children.

When expenditures per poor child are compared to expenditures per child, substantial improvement occurs only for the Headstart (.909 to .569) and School Lunch (.358 to .211) programs. Headstart funds are awarded on a project basis according to need or merit rather than through a formula designed to distribute funds equally. Because the program's target population is disadvantaged children, improvement would be expected in expenditures per poor child since poverty is a proxy for need.

In sum, according to coefficients of variation for per child and per poor child expenditures, there are inequalities in the interstate distribution of federal funds for youth ranging from substantial variation for the major income, medical, and nutrition programs to little relative variation for OASDI and School Lunch.

Expenditures Per Beneficiary

OASDI and Food Stamps are the most equitable programs on an expenditures per beneficiary basis. Little variation is expected for OASDI recipients since OASDI

benefits are distributed only to children who are insurance beneficiaries. Given the objectives of the Food Stamp program, however, greater similarity is expected between the poor child (.418) and per beneficiary (.165) coefficients.

A substantial decrease in expenditure variability per recipient also occurs for AFDC and Medicaid. AFDC declines from 68 percent for poor children to approximately 10 percent for beneficiaries while Medicaid decreases from 92 percent to 41 percent. The interesting point is that the federal government has been able to reduce regional discrepancies in AFDC benefits but has been less successful in redressing the expenditure inequalities arising from local Medicaid policies.

The equity of the Headstart program also increases when adjustment is made for beneficiaries, but the variation is relatively high (.379) compared to OASDI, Food Stamps, AFDC, and School Lunch. But given the program's basis for funding and its narrow target population, it is not surprising that expenditures vary widely across states; some programs may be more extensive or more expensive to operate than others.

While six of the eight programs become more equitable on an expenditure per beneficiary basis, two programs, Vocational Education and School Lunch become slightly more inequitable. Furthermore, there does not appear to be any correlation between the scope of these programs and dollars spent. For example, Vocational Education's proportion of outlays exceeds the proportion of recipients in 21 states while for the School Lunch program, the majority of the states' shares of funds is within 1/10th of 1 percent of their share of recipients on a beneficiary basis. These discrepancies question how School Lunch and Vocational Education funds are being used by the states.

These findings indicate that the majority of the eight programs are more equitable on a beneficiary basis than on a per poor child basis; however, these findings question the extent to which federal grants are designed to channel

resources to where need is greatest.

Beneficiaries as a Percent of Children and a Percent of Poor Children

The statistics in Table 7 measure the extent to which the eight programs reach both the general youth population and poor children. These figures reveal serious inequalities in most of the eight programs in the extent to which they reach target populations.

Not surprisingly, programs targeted primarily for poor children show greater inequity in the measure of beneficiaries as a percent of all children than do programs with a broader clientele. The least variation is found in the school lunch program (.227) with OASDI next lowest (.250) and vocational education third (.327). In contrast, Headstart shows a startling degree of inequality (1.1180) and Medicaid, AFDC, Food Stamps and ESEA - Title I also, having coefficients ranging between .429 and .568.

The coefficients of variation fall significantly for some of the programs targeted for poor children when the measure is beneficiaries as a share of poor children. The figure for Headstart falls to .528 and the figure for ESEA - Title I dips to .270. However, there is little change for the Medicaid, AFDC and Food Stamp programs whose coefficients even for this measure range from .407 to .553. Thus, as with the expenditure measures, those three programs evidence significant inequities in their distribution of benefits to their target population.

Table 7

Measures of Equity in Population Served in Youth Programs Among the States, 1976

	Coefficient of Variation	Range		
		High	Low	Difference
Beneficiaries as Percent of Children in the State				
AFDC	.483	37.6%	4.0%	33.7%
OASDI	.250	9.8	3.6	6.2
Food Stamps	.447	32.5	4.2	28.3
School Lunch	.227	65.3	25.8	39.5
ESEA - Title I	.429	15.3	2.7	12.6
Vocational Education	.327	25.7	6.7	19.0
Medicaid	.568	45.2	3.1	42.1
Headstart	1.180	3.8	0.2	3.6
Beneficiaries as Percent of Poor Children in the State				
AFDC	.449	221%	31%	190%
OASDI	.197	69	28	41
Food Stamps	.407	204	36	168
School Lunch	.325	619	170	449
ESEA - Title I	.270	82	23	59
Vocational Education	.545	271	42	229
Medicaid	.553	266	31	235
Headstart	.528	12	1	11

VARIATION IN TOTAL PUBLIC SPENDING FOR YOUTH

The previous section identified trends in the federal commitment to children and youth since the mid 1960s and presented an analysis of the distribution of these federal funds among states that point to sharp inequalities. A question which follows from the inequitable distribution of federal funds is the extent to which these differences are compensated by State and local efforts. How much is the total budget - including local, state, and federal funds - for youth services in an urban area? How does the mix of services for youth differ from one community to another? To answer these questions, all public expenditures for youth in two large cities - New York and Houston - were identified and analyzed.

The significance of the findings is twofold. First, they show that it is possible to identify public expenditures for youth in a complex intergovernmental delivery system such as characterizes large American cities. Equally important, the effort identifies the problems associated with preparing comprehensive "youth budgets" for large cities. Second, the findings indicate there is a wide disparity in the level of funding for youth services among American cities and identifies particular service areas where the disparities are most pronounced.

The two sets of findings - substantive and methodological - are described more fully below. But in order to make these findings most easily comprehensible, some background information is required on the two urban centers including their economic base, governmental structure and population.

Two Cities: New York & Houston

New York City and Houston may be viewed as opposite ends of a spectrum embracing American urban areas. New York is an older city with a declining population, shrinking tax base, and no room to expand geographically. It is known as a "liberal" city with an inclination to support generous welfare programs, and as a "public" city which depends heavily on government for mass transportation, social services, and land use regulation. Houston, in contrast, is seen as a "conservative" city and as a "private" city which depends on private transport and private choice to the point where there is no city zoning ordinance. Houston is also a relatively new city with an increasing population, a rapidly growing economy, and substantial unincorporated acreage on its borders which permits geographic expansion.

To facilitate comparisons the areas are defined in this study as the central city of the Standard Metropolitan Statistical Area (SMSA) in which it lies. In the case of New York, this includes the five boroughs of the City of New York; in the case of Houston, the City of Houston is the principal governmental entity. The central cities were chosen to insure that the units being compared were urbanized; much of the Houston SMSA, which comprises six counties in Southeastern Texas, is undeveloped, low-density land.

The five boroughs of New York City hold a similar relationship to the New York SMSA as the City of Houston holds to the Houston SMSA, but there are significant differences. New York City is home to about 78 percent of the metropolitan area's population, while Houston houses 58 percent of its metropolitan area population. These population differences are related to the fact that New York City comprises 22 percent of the area's total land area while Houston comprises only 7 percent of its SMSA's land. However, each city houses about 90 percent of the area's welfare population. Both New York City and Houston are the center of the metropolitan area's economic activity with between 61 percent and 79 percent of the retail businesses, and between 74 percent and 86 percent of the manufacturing plants.

Within the context of the above general socioeconomic setting the nature of the population, and particularly the youth population, is most relevant to an analysis of public expenditures for youth services.

Of New York City's total 1976 population of 7,213,021 an estimated 1,876,956 or 26% are youth under age 18; of Houston's 1976 population of 1,323,580 an estimated 367,840 or 29% are under 18. Based on 1970 Census figures 21% of those under 18 in New York City lived in families which were below the poverty level while in Houston the figure was 17%. Estimates for 1976 indicate that by that year New York's population of children living in poor families had risen to 24% while Houston's had risen to 21%. Thus, by the middle of the 1970's a slightly greater proportion of children in New York City were likely to be in families suffering economic hardship than is the case in Houston.

The structure of government through which these children receive public services varies significantly between the two areas.

New Yorkers pay taxes to only three governmental units - the federal government, the state and the city. In addition there are numerous public benefit corporations which provide services with subsidies from one or more general governments.

In Houston there is a strong county government as well as a separate municipal corporation. Moreover, the city does not perform as many functions as the consolidated City of New York does, so there are numerous single-purpose local governments which assess a separate property tax. The main function of these governments is the provision of primary, secondary, and higher education. This is carried out through twenty independent school districts, some of which extend beyond the boundaries of Houston and three junior college districts. Other functions provided by special purpose governments in Houston are water supply, public works construction, flood control, and hospitals. In addition to the numerous special districts with taxing power, Houston also has organizations that are similar to a public benefit corporation in that they collect user charges and issue revenue bonds. However, they were created for different reasons than the public benefit corporations in New York. Because of the fragmented structure in Harris County, the need for a county- or region-wide unit to perform certain functions became evident, and such state-chartered corporations as the Port of Houston Authority and the Gulf Coast Waste Disposal Authority were created.

Methodological Findings

The complex network of governmental units in an urban area makes it difficult to identify and compare total public expenditures for youth among urban areas. A principal purpose of this study has been to develop

a method for undertaking such comparative analyses. The general problems encountered and the techniques developed to deal with them can be described in terms of a three stage process:

Step One - Identifying Governmental Units Serving Youth

The first necessary step is to identify those units which provide services to youth. This, in turn, implies some accepted definition of the concept of "service". In our initial explorations we defined three classes of services which governments might provide to children and youth:

A. Direct Services - This refers to services received by an individual for which it is possible to identify a particular client and a particular time and place for this service transaction. Included are seven types of direct services: (1) educational preparation; (2) employment counseling and occupational training; (3) personal health and mental health services; (4) criminal justice administration; (5) nutritional assistance; (6) recreational activities; and (7) child care and child protective services.

B. Indirect Services - This refers to services not provided directly to the individual but which represent line agency functions of government. Included are such services as street cleaning, garbage collection and fire protection.

C. Overhead Services -- This refers to the support services required to run public agencies such as those provided by Personnel Departments and Law Departments as well as the operations of elected bodies such as the City Council or State Legislature.

Initially a basis was sought to identify the share of each type of service delivered to or provided on behalf of youth. In fact few bases could be developed for allocating either indirect or overhead services to

youth other than their representation in the general population. Since automatic calculations based exclusively on population shares seemed to add little to the understanding of the allocation of public resources to youth, we subsequently dropped estimates of expenditures for indirect and overhead services to youth from our analyses. All subsequent analyses deal only with direct service expenditures; however it can be reported that in Houston 29% of all local government expenditures were for indirect or overhead services and in New York City 12% of municipal expenditures fell in this category.

Once the analysis was restricted to direct services, the next problem was to identify those agencies engaged in the provision of direct services. This required a comprehensive review of the budgets of all units of government since direct services to youth are found among a wide range of administrative units. For example within the City of New York 28 separate agencies (including a Miscellaneous agency included for budgetary purposes) were found to provide direct services to youth; in Houston eight different municipal agencies, four different county agencies and 21 other independent governmental units were found to provide direct services to youth. At the state level 15 Texas state agencies and 12 New York agencies were found to provide direct services to youth. At the federal level our earlier analysis identified 78 programs (defined as Histfund accounts) that funded services for children, but the data source does not indicate the geographic distribution of funds. Consequently, the Community Services Administration's series on Geographic Distribution of Federal Funds was used to identify federal programs. This source yielded 65 different programs which represented direct provision of services to youth (as distinct from federal grants-in-aid to local and state governments

which in turn provided the services). Thus up to approximately 100 different public agencies or programs may be involved in the provision of direct services to youth in an urban area.

Step Two - Estimating the Share of Agency Expenditures Devoted to Youth Services

Most of the agencies engaged in providing services to youth are not concerned exclusively with youth. Only in a few instances - child welfare units or day care services, for example - are all agency expenditures devoted to services to youth. Even Boards of Education provide adult education programs as well as serving children. Thus in most cases estimates must be made of the share of agency expenditures related to youth services. Developing a justifiable basis for making this allocation represents the major task involved in preparing youth budgets. Adequate data are often not readily available and suitable proxy measures must be sought. The precise techniques used are described more fully in a technical report; the important general conclusion is that youth shares, and hence youth budgets, even for direct services, can be estimated only roughly given existing data collection procedures and all findings must be interpreted in this light.

A final complication supporting this general conclusion is the fact that some expenditure items cannot be related to any particular target population. Notably debt service is generally not allocable to particular programs or client populations and was excluded from both the Houston and New York City analyses. For some units of government pension and fringe benefit items could also not be related to particular programs and hence also had to be excluded. Since units of governments within and among urban areas vary in these practices comparative analysis is particularly

difficult, although we have made a maximum effort to treat similar items in comparable ways throughout the analysis.

Step Three - Estimating the Geographic Distribution of Direct Youth Service Expenditures

Preparing youth budgets is also complicated by the fact that many agencies serve populations in areas broader than the area chosen for analysis. The federal government has responded to this problem through the Community Services Administration series on Geographic Distribution of Federal Outlays. However in some cases outlays are not identified by city, only by county or state, and independent estimates must be made. Perhaps more importantly, the CSA relies on relatively crude methods for allocating expenditures and its data series has been subject to criticism. Nevertheless it is a useful basis for estimating federal direct expenditures in an urban area.

Unfortunately such geographic distributions are generally not prepared for state expenditures or for areas within the jurisdiction of countywide or regional local units of government, Hence independent estimates of the share of service recipients living within municipal boundaries in counties, for example the share of Harris County youth living within the City of Houston, must be relied upon to allocate expenditures for youth services made by county and regional governments. Additional problems arise in analyzing independent school district expenditures when these district boundaries correspond to neither county nor municipal boundaries.

The overall conclusion regarding preparation of total public sector youth budgets is that it is a complex task involving examination of numerous financial documentsaand estimates based on often inadequate

data. The process is time consuming and provides results that must be interpreted cautiously. This suggests that large scale comparative analysis of public expenditures for youth would be an expensive task unless basic reforms in reporting procedures are initiated by a variety of governmental units. Moreover completing such analyses would require a close familiarity with the overall governmental structure of each metropolitan area.

Findings: Differences Between New York and Houston

Findings resulting from the application of the methodology described above can best be described in terms of two general conclusions.

The Role of Each Level of Government in Providing Youth Services Varies between Cities. Table 8 summarizes the estimates of the amounts spent in each area by each level of government in a direct provision of youth services. These sums differ from the total amounts spent by each level of government since intergovernmental transfers are counted as expenditures by the last unit receiving the funds, not the unit initially raising the funds. Thus the estimates represent the role of each level of government in actually delivering services, not their role as financiers of service.

The greatest similarity between New York and Houston is in the federal government's role as a provider of services. Federal expenditures account for 10% of the total in New York and under 12% of the total in Houston. The specific number of federal programs operating in each area varied somewhat; 65 programs provided services to children in New York and only 41 in Houston. However in both places the same 12 major programs

TABLE 8

Expenditures for Direct Services to Youth by Level of Government,
New York and Houston, FY 1978

	New York		Houston	
	Total Amount ($ in millions)	Percent Distribution	Total Amount ($ in millions)	Percent Distribution
Federal Agencies	$ 593.3	10.2	$ 60.1	11.6
State Agencies	71.3	1.2	35.8	6.9
Local Units - Subtotal	5,144.8	88.6	422.7	81.5
City and County Agencies	4,971.9	85.5	51.3	9.9
Independent School Districts	—	—	351.8	67.8
Authorities and Others	172.9	3.4	19.6	3.8
Grand Total	$5,809.4	100.0	$518.6	100.0

accounted for the bulk of all federal spending - 95 percent of the outlays in New York and 96 percent in Houston. These major programs are listed in Table 9. Most of the programs provide direct cash benefits including the various social security benefit programs, SSI, veterans death benefits, and railroad retirement benefits. Similar to cash assistance is the food stamp program. There are really no direct service operations since the remaining service oriented programs are operated largely through contracts with private nonprofit agencies. These include the child development and community action programs. Thus in both New York and Houston the role of the federal government in youth services is restricted to dispersement of cash assistance and food stamps and some contracting for social services.

The state governments role varies more widely between New York and Houston. The State of Texas accounts for nearly 7% of youth expenditures compared to a state share of only 1% in New York City. In both places the state provides youth detention facilities and mental health and mental retardation services. The principal difference is that the State of Texas, through its Department of Human Resources, assumes responsibility for public assistance, medicaid and other social welfare services, while in New York these functions are administered by municipal government. If spending by the Department of Human Resources were dropped from the Texas State total, the state government would represent only about 2% of total youth spending, a figure close to the New York State share.

In both places local governments account for the bulk of services delivered to youth, 89% in New York versus 82% in Houston. As noted above most of this difference reflects the administration of welfare programs by state government in Houston.

TABLE 9

Total and Per Child Outlays for Youth Under Major Federal Youth Programs, New York and Houston, 1978

	Amount ($ in thousands)	Amount Per Child	Percent Distribution	Amount ($ in thousands)	Amount Per Child	Percent Distribution
Social Security Retirement	$ 212,781	113	35.7	$ 18,138	49	30.2
Food Stamps Coupons	146,559	78	24.7	13,225	36	22.0
Social Security Survivors	61,377	33	10.3	9,190	25	15.3
Social Security Disability	37,728	20	6.4	3,971	11	6.6
Child Development and Headstart*	6,451	3	1.1	3,612	10	6.0
Community Action	13,641	7	2.3	3,224	9	5.4
Subsidized Housing	37,826	20	6.4	1,477	4	2.5
WIC	16,152	9	2.7	1,360	4	2.3
SSI	13,367	7	2.3	1,286	3	2.1
Railroad Retirement Fund	1,739	1	0.3	772	2	1.3
Veterans Death Benefits	3,055	2	0.5	648	2	1.1
Community Mental Health Centers	11,711	6	2.0	501	1	0.8
Subtotal - Major Programs	562,387	300	94.8	57,404	156	95.5
TOTAL - All Programs	$ 593,251	316	100.0	$ 60,084	163	100.0

*New York City figure excludes funds paid to local government for operation of programs.

Source: See Appendix.

While the overall role of local government is similar in both places, the divisions within the local sector are quite different. Virtually all local spending in New York is handled through the consolidated municipal government of the City of New York. Even spending by the Board of Education and the Health and Hospitals Corporation are represented in the municipal budget since these agencies depend heavily on local tax subsidies and have no independent taxing authority. The only agency with significant independent revenues providing services to youth is the New York City Housing Authority with a youth budget of $172.9 million or 3.1% of total youth spending. In contrast the City of Houston accounts for less than 8% of all youth expenditures and other independent local governments each play a significant role in youth service delivery. Independent school districts with seperate taxing authority account for the bulk of the spending - $351.6 million or 67.8% of the total. By comparison New York City's Board of Education, a division of city government, represents only 42% of total youth spending in New York, indicating a smaller role for the schools in youth service delivery in New York. Other important units in Houston are Harris County government (including the Child Welfare Unit) with 2% of the total youth budget, the independent Hospital District with 2%, and the City Housing Authority and the county Mental Health and Mental Retardation Authority, each with smaller shares of the total.

The Level of Expenditures for Youth Services Varies Dramatically Between Cities.

When spending by all levels of government is viewed in total there is a substantial difference in the level of expenditures between New York and Houston (See Table10). Public spending for youth services per child

TABLE 10

Public Spending per Child for Youth Services in New York and Houston by Function, FY 1978

	New York	Houston	Ratio
Education	$ 1,343	$ 851	1.6
Employment & Training	47	14	3.4
Health and Mental Health	321	109	2.9
Income & Housing Assistance	817	151	5.4
Criminal Justice	88	48	1.8
Nutrition	163	130	1.3
Recreation	36	40	0.9
Child Care & Protection	280	66	4.2
TOTAL	$ 3,095	$ 1,410	2.2

is more than twice as high in New York as in Houston - $3,095 versus $1,410. The bulk of this difference is in state and local spending, $2,769 per child versus $1,246 per child. However it is interesting to note that even among direct federal programs, which are presumably operated uniformly around the nation, spending per child was still twice as high in New York as in Houston. (See Table 9)

The differences in spending are not uniform among the various types of youth services. In fact spending per child for recreation services is actually greater in Houston than in New York. For other categories of services the amount of spending per child in New York varies from 1.3 times greater in New York (nutrition) to 5.4 times greater (income and housing assistance).

Because some of the largest differences in spending per child are in services that are generally targeted to poor children, notably health, income assistance and child care services, it may be more appropriate to assess such spending in terms of amounts per child in poverty rather than in relation to the total population under 18. If, as census data indicated, a greater proportion of youth in New York City are living in families with poverty incomes, then this may help explain the greater rates of spending in New York City. Table 11 presents public expenditures by service type in terms of spending per poor child.

Spending per poor child is, overall, somewhat less than two times greater in New York than in Houston. But dramatic variations still remain in spending per child for the services aimed primarily at poor children - income and housing, child care and protection, employment and training, and health services.

TABLE 11

Total Public Spending Per Poor Child in New York and Houston by Function, FY 1978

	New York	Houston	Ratio
Education	$ 5,524	$ 4,048	1.4
Employment & Training	192	65	3.0
Health and Mental Health	1,322	521	2.5
Income & Housing Assistance	3,360	719	4.7
Criminal Justice	361	227	1.6
Nutrition	669	620	1.1
Recreation	149	191	0.8
Child Care & Protection	1,150	316	3.6
TOTAL	$12,727	$ 6,707	1.9

EFFICIENCY IN THE LOCAL DELIVERY OF YOUTH SERVICES

The previous examination of differences in public spending for youth services between New York City and Houston revealed that public spending per child for youth services was 2.2 times greater in New York than in Houston, and that public spending per poor child was 1.9 times greater in New York City. This section explores the reasons behind the wide variation in spending. In particular, do the additional funds provide services to more of the appropriate youth population or do the added funds simply represent higher input costs required to finance equivalent services?

To provide some preliminary answers to these questions we examine two major areas of youth service spending - income maintenance and nutrition. In the case of income maintenance, the earlier study found spending per poor child (the appropriate target group) to be 4.7 times greater in New York

City than in Houston - $3,360 versus $719. This was the greatest difference between spending levels for any major youth service area. In the case of nutrition, public spending per child was more nearly equal - $163 versus $130 - and public spending per poor child was only about 10 percent higher in New York City - $669 versus $620. Hence these two areas represent a suitable range for exploring the nature of expenditure differences.

Nutrition: The Case of School Lunches

The principal public nutrition programs reaching youth are food stamps and the school lunch program. Since food stamps will be considered in the analysis of income maintenance expenditures, it is apprppriate to focus on the school lunch program in this section.

In 1946 Congress, in part motivated by the poor physical condition of many of the young people drafted for military service, passed the National School Lunch Act. The next 20 years saw a three-fold increase in the spending under the program. By 1967 the federal government was spending $338 million annually to feed nearly 19 million school children. While this figure represented nearly 30 percent of the school population, there was mounting concern that many poor children remained undernourished and would benefit by an expansion of the school lunch program.

In 1970 Congress passed amendments to the National School Lunch Act that turned the program into an entitlement. Children were eligible for a free lunch if they came from a family whose income was below the poverty level. For children from families which earned up to 25 percent more than the poverty level, a maximum of 20¢ was to be charged for a lunch. Later

this standard was increased to 195 percent and the maximum payment was doubled to 40¢. In addition subsidized meals were to be offered to all children.

In fiscal year 1979-80 the federal government subsidized lunches for 27 million elementary and secondary school children at a cost of $3.1 billion. The amount of the subsidy which the federal government provided to a school for the preparation of a lunch in 1980 was $1.13 for each free lunch it served, $.93 for each reduced price lunch, and 29.5¢ for each full-price lunch for which students pay from 55¢ to $1.20. The actual price of preparing a meal may be higher than those subsidies and local school districts secured additional revenues through state and local taxes and by aditional user charges for other programs such as snacks.

Spending levels for school lunches may vary between areas such as New York and Houston for two principal reasons. First, the unit costs of a lunch under the program may differ, reflecting either greater input costs or lower levels of efficiency. Second, the reach of the program in terms of numbers of children receiving free or reduced price lunches may vary.

Data for these two aspects of the programs show the disparities between New York City and Houston are far greater in terms of program participation than in terms of unit costs. As shown in Table 12, the reported costs of a school lunch was actually 2 cents higher in Houston ($1.27) than in New York City (1.25). However, the higher costs in Houston stem from higher food and donated commodity costs; the labor costs are significantly higher in New York than in Houston: 62¢ versus 50¢. In addition, total costs should not be equated with budgetary expenditures. When donated commodities are excluded from the calculations, the expenditure total for New York City is slightly higher than for Houston - $1.12 versus $1.09.

Table 12

Cost of a School Lunch
New York City and Houston, 1980-81

	New York City	Houston	Ratio
Food	.50	.59	.85
Labor	.62	.50	1.24
Direct Expenditures	1.12	1.09	1.03
Donated Commodities	.13	.18	.72
Total Costs	1.25	1.27	.98

In contrast to this relatively small two percent difference in unit costs, there are substantial differences in the participation rates for school lunch programs between New York City and Houston (see Table 13). Relatively fewer free school lunches are served in Houston than in New York City. Of all the school lunches served, 91 percent are free (as opposed to partially or fully paid by students) in New York City versus 66 percent in Houston. More significantly, the number of free lunches served daily in New York City exceeds by 5 percent the number of children in poor families in that city; in contrast the daily number of free school lunches in Houston is only about three-quarters (77 percent) the number of children in poor families in that city.

Income Maintenance

Both differing levels of participation and differing levels of expenditure per recipient, that is "unit costs," play a significant role in explaining the wide range of expenditures for income maintenance between New York City and Houston. Participation in the program can be gauged by the numbers of families and children receiving benefits and by the share of poor children who receive benefits in each city (see Table 14). In New York City the number of children in families receiving AFDC is 115 percent of the number of children in families with incomes below the poverty line; in contrast, for Houston (using AFDC figures for Harris County) the equivalent figures are 33,512 children who represent just 43 percent of the children in low income families. Thus the rate of participation in New York City is nearly 2.7 times greater than in Houston.

Table 13

Participation in School Lunch Programs
New York City and Houston, 1980-81

	New York City	Houston
Average Daily Participation	526,823	90,535
Free lunches	479,409	59,753
Reduced price lunches	26,341	8,148
Fully paid lunches	21,072	22,634
Low Income Population Under Age 18	456,453	77,325
Free Lunches as a Share of Poor Youth	105%	77%

Table 14

Participation in the AFDC Program
New York City and Houston, 1980

	New York City	Houston
AFDC Recipients		
Total	762,224	46,010
Children under age 18	527,007	33,512
Population Under Age 18 in Low Income Families (1976)	456,453	77,325
AFDC Child Recipients as a Percent of Poor Youth	115%	43%

The concept of "unit costs" takes on a special meaning when applied to income transfer programs. Since cash is simply being transferred, rather than goods or labor being purchased to produce a service, the level of expenditure per person or per family could be equated with unit costs. However, a more refined approach relates levels of cash benefits to the cost of providing families and children with an adequate minimum standard of living.

The cost of maintaining minimal adequate standard of living in major metropolitan areas of the Unted States has been estimated annually by the U.S. Bureau of Labor Statistics. The family for which these budgets are estimated consists of a 38 year old husband employed full time, a non-working wife, and two children. It is assumed that the family rents its shelter and that the rent excludes heating fuel and utilities, and household insurance; that food is purchased in accord with a nutritionally adequate diet established by the U.S. Department of Agriculture; that only half the low income families own their own cars in New York City while 65 percent do in Houston (and the remainder rely exlcusively on public transportation); and that medical care costs include hospitals and medical insurance as well as dental, eye care and prescriptions.

Table 15 presents these official estimates of the lower level living costs for a family of four in New York and Houston. In 1979 the costs were seven percent higher in New York than in Houston. Not all items in the budget were more costly in New York: the Houston family had to pay more for the same level of transportation and medical services, and for clothing.

While New York City is a more expensive place to live than Houston, the gap for lower level living standards in the two cities has been narrowing. An examination of the lower level family budgets in both places in 1976 and

1979 shows every component of the budget becoming more costly at a more rapid rate in Houston. Whereas the total budget in New York City was 14 percent higher than in Houston in 1976, that margin was cut in half by 1979. The largest increase in expenses for a Houston family was for medical care, which soared by 40 percent from 1976 to 1979.

Modifications are required to make the Bureau of Labor Statistics lower level budget appropriate for the typical AFDC family of one non-working adult and three children. The Community Council of Greater New York has developed a methodology for making these adjustments. The BLS budget is modified to exclude rent which is covered in a separate shelter allowance for AFDC families, to exclude medical care costs which are covered by Medicaid for AFDC families, to exclude social security and personal income taxes which do not apply to the AFDC family's unearned income. The modified budget also excludes a share of expenses for alcoholic beverages, tobacco, reading and recreation, food away from home and automobile costs, since welfare families are not expected to purchase these items. The resulting figure is multiplied by 0.88 to adjust for the fact that the family has one adult and three children rather than two adults and two children. Using this approach, a lower level living costs for a welfare family can be estimated at $5,459 annually in New York City and $5,517 in Houston (see Table 16). This suggests that the "unit cost" of providing a minimal adequate living standard is virtually equal (99%) in Houston and New York City.

However, while the costs of a minimally adequate standard of living are nearly equal in the two cities, the AFDC benefit packages are far from equal. In 1979 New York City families received basic welfare grants and food stamp bonuses which totaled $4,452 annually or 81.5 percent of the BLS modi-

Table 16

Basic Publis Assistance Benefits Relative to a
Modified Bureau of Labor Statistics Lower Level of Living Family Budget
New York City and Houston, 1979

	New York City	Houston	Ratio
Modified Bureau of Labor Statistics Budget for a Family of Four	$5,459	$5,517	.99
Basic Welfare Grant for a Family of Four			
Total	4,452	4,128	1.08
Basic AFDC Payment	3,096	1,680	-
Food Stamp Bonus	1,356	2,448	-
Ratio of Welfare Grant to Bureau of Labor Statistics Budget	0.815	0.748	-

fied budget; in Houston these benefits totalled $4,128 annually or 74.8 percent of the BLS budget. Thus public expenditures in Houston were less because of both lower expenditures (but similar "costs") per recipient and because of lower rates of participation in the programs.

Table 15

Annual Costs of a Lower Level Budget for a Four-Person Family in New York City and Houston
Autumn, 1976 and 1979

	1976			1979			Percent Change in Budgets 1976-79	
	New York City	Houston	Ratio	New York City	Houston	Ratio	New York City	Houston
Total Budget	$10,835	$9,532	1.14	$12,949	$12,100	1.07	19.5%	26.9%
Total Family Consumption	8,645	7,975	1.08	10,391	10,103	1.03	20.2	26.7
Food	3,346	2,924	1.14	4,195	3,792	1.11	25.4	29.7
Housing	2,064	1,821	1.13	2,410	2,200	1.10	16.8	20.8
Transportation	670	720	0.93	847	913	0.93	26.4	26.8
Clothing	768	788	0.97	791	923	0.86	3.0	17.1
Personal Care	280	276	1.01	335	364	0.92	19.6	31.9
Medical Care	993	983	1.01	1,209	1,377	0.88	21.8	40.1
Other Family Consumption	524	463	1.13	604	534	1.13	15.3	15.3
Other Items	465	445	1.05	544	535	1.02	17.0	20.2
Social Security	662	556	1.19	824	742	1.11	24.5	33.5
Personal Income Taxes	1,063	556	1.91	1,190	720	1.65	11.9	29.5